



Nacimiento Project Commission Notice of Meeting and Agenda

**Thursday, February 15, 2007 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA**

- I. Call to Order, Roll Call, and Flag Salute
- II. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
- III. Meeting Notes from January 18, 2006
(RECOMMEND APPROVAL)
- IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Project Management Report
 - b. Project Schedule
 - c. Project Budget
- V. PRESENTATIONS – no action required.
 - a. Steps to Commence Construction
- VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. (none)
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Amendment to Hamner, Jewell & Associates Agreement
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Harry Ovitt, Chair, SLO County
Flood Control & Water
Conservation District

Dave Romero, Vice Chair, City of
San Luis Obispo

David Brooks, Templeton CSD

Grigger Jones, Atascadero MWC

Frank Mecham, City of El Paso
de Robles

**Next Commission meeting scheduled for
Thursday, April 26, 2007, at 4:00 pm at
Templeton Community Services District offices.**

Nacimiento Project Commission
February 15, 2007
Agenda Item III – Meeting Notes from January 18, 2007

I. Call To Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at 4:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
Dave Romero, City of San Luis Obispo
Frank Mecham, City of el Paso de Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – (none)

III. Meeting Notes from December 14, 2006 Meeting

Commissioner Jones moved approval of the December 14, 2006, meeting notes; Commissioner Mecham seconded the motion; motion passed unanimously.

IV. Commission Information Items

John Hollenbeck delivered the project management report. The team sustains good rapport with affected property owners; however we may not obtain full cooperation in easement acquisition. Ideally, the District would have orders of possession prior to bidding but this could be in place in time for construction contract award or even later in the construction phase. It was recognized that the District's negotiating stance with property owners changes the further we proceed into construction. However, delays in commencing construction cost the public inflationary money, too. John Hollenbeck agreed to include an agenda item in February 2007 to describe various approaches to the timing of orders of possession, permits, and the opt-out phase relative to the start of construction.

The Commission asked about ways to accelerate easement acquisition and John Hollenbeck agreed to discuss this with Hamner, Jewell & Associates and report back on the merits of adding more appraisers or right-of-way staff to the Project. Hamner, Jewell & Associates added an additional specialist in December dedicated to the Project.

Environmental specialist Eric Wier announced that National Marine Fisheries Service issued a letter of concurrence for the Project, noting that a take of steelhead is not anticipated. This is good news and is the last step needed in satisfying the NMFS permitting. A biological opinion from the US Fish & Wildlife Service is expected, which feeds into the Army Corps permit process. The State Dept. of Fish & Game permits have been filed and we await response. Chairman Ovitt reminded staff that the State Fish & Game offices recently moved from Yountville to Fresno and that he and his staff are available to sustain communications.

Dialogue with Monterey County Water Resources Agency continues particularly with regard to the proposed amendment to the 1959 agreement.

The State Dept. of Health sponsored a meeting on January 17, 2007, regarding a revised fish consumption advisory at Lake Nacimiento. The State drinking water branch staff emphasized that while mercury accumulates in silt along upper lake reaches and in fish tissue, levels in the lake water continue to be well within drinking water standards.



VI. Commission Action Items (No Subsequent Board of Supervisors Action Required)

Commissioner Mecham nominated Dave Romero to Commission Chair and Harry Ovitt to Vice-chair for 2007; Commissioner Jones seconded the motion. Motion later withdrawn with Dave Romero indicating support for the current officer positions. Commissioner Brooks nominated Harry Ovitt to Commission Chair and Dave Romero to Vice-chair for 2007; Commissioner Romero seconded the motion. Passed unanimously.

VII. Commission Action Items (Subsequent Board of Supervisors Action Required)

Christine Halley reported on the owner controlled insurance program discussions, relaying input received from construction contractors during the December workshop. Contractors that spoke out on the OCIP option recommended against them. The Technical Support Group weighed that input with the overview provided by Alliant Insurance Services, Inc. and advises the Commission to cease consideration of an OCIP at this time. Christine noted that we may get fewer bids if an OCIP were activated. John Hollenbeck remarked that OCIP coverage would be limited to a defined project site and that other insurance would need to be maintained to cover transportation of materials and crews. The Commission generally concurred that we should listen seriously to the concerns voiced by construction contractors and address insurance coverage in another manner. Commissioner Romero moved to set aside consideration of an OCIP for the Project and research with the County Risk Manager options for extended insurance coverage in addition to traditional coverage; Commissioner Jones seconded the motion; passed unanimously.

Christine Halley offered background on the proposed amendment to the ESA environmental services contract, particularly the need for focused archaeological investigations. Commissioner Jones moved to recommend to the Board of Supervisors that they amend their agreement with ESA to expand the scope of their environmental consulting services for the Project and to authorize up to an additional \$410,333 for such expanded services; Commissioner Mecham seconded the motion. Passed unanimously.

VIII. Future Agenda Items Desired by Commission – The Commission requested a presentation on steps to commence construction at their February meeting.

Chairman Ovitt adjourned the meeting at 4:40 pm.

Submitted by Christine Halley

Nacimiento Project Commission
February 15, 2007
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

An important aspect of construction will be adherence to promised environmental mitigation measures as recorded in the Final Project EIR and as stated in the Project environmental permits. A team of qualified environmental monitors will be on-site during construction. The District will request fee proposals for this set of services and is preparing that request now. A line item budget of \$1.8 million is established for the environmental monitoring services.

Statements of qualifications contractors are due on February 13, 2007, for the Intake general construction contractor and the horizontal directional drilling subcontractor resulting in a short-list of prequalified firms.

PROJECT ISSUES

Status of Financial Issues

The Finance Committee met on February 1, 2007. The outcome of that meeting was that the team would proceed with an initial rating assessment for Atascadero Mutual Water Company for a fee of \$27,500. This initial rating step is expected to improve the project-wide bond rating. Participants agreed with a capitalized interest approach to bond issuance and the District may entertain proposals from various capital investment bankers on the Project's behalf. The finance team agreed to further research approaches to the +25% step-up provisions.

Atascadero Mutual Water Company continues to pursue a non-taxable bond financing stance and discussions have been held with them regarding a possible county service area formation and related issues. Further discussions will be held, and they will need to establish their initial funding approach very soon.

Project Insurance

At the January 2007 special Commission meeting, staff agreed to consult with County Risk Management staff regarding Project insurance. That meeting will be scheduled later this month.

Status of Project Delivery Team Activities

Right of way – Acquiring easements such that construction may proceed continues to be a focus of the design team and Project right-of-way staff. The timing of orders of possession is addressed in Agenda Item V.a. Right-of-way acquisition efforts continued at a fast pace right through the Holiday season and in to the New Year. To meet the present timeline needs, Hamner, Jewell & Associates (HJA) added additional staff who are committed through March 2007 to maximize the effort to achieve the maximum number of amicable agreements with property owners. As of January 31, 2007, offers have been made to 26 of the 42 affected



private property owners along with coordination efforts with each of the affected 11 public agencies. The remaining properties are in various stages of progress, ranging from legal descriptions to appraisals. The Board executed the first four signed agreements in January 2007 and escrow accounts have been opened such that closings are anticipated by mid-February (with the exception of one acquisition that is encumbered by two deeds of trust). The status of the overall easement acquisition effort is:

Date	Number of Identified Parcels¹	Completed Legal Descriptions	Appraisals Ordered	Appraisals Complete	Offers Made	Agreements Signed
As of Jan 5, 2007	54 (47 private + other)	39	35	28	21	4
As of Jan 31, 2007	56 (42 private + 14 public)	44	39	32	26	4

Many team members contribute to each step of the easement acquisition process. As of today, Cannon Associates have 6 legal descriptions in progress, 2 under revision, and the remaining 5 are related to turnout construction; the design team is working to refine alignment details on 8 properties so that the legal descriptions and appraisal processes may proceed; the appraisers are actively working on 7 appraisals and await assignment of the remaining 17; and HJA are in active dialogue with all property owners with the goal of securing signed easement agreements as quickly as possible. HJA has six additional appraisals in hand with offer presentations scheduled for later this month.

In January, the Commission asked what steps could be taken to accelerate the easement acquisition process. The team considered this question and evaluated the impact of augmenting each step of the easement acquisition process:

- With the County parcel alignment now decided, designers will make final alignment determinations for the remaining 7 properties so that they can order revisions to legal descriptions, and obtain the remaining 5 parcels which are for the Participant turnouts and adjacent parcels. Since Participants have indicated support for granting no-cost easements, the parcels owned by Participants are expected to process quickly and may be held until the more critical private acquisitions are complete.
- Cannon Associates has been directed to “turn-around” remaining legal descriptions and exhibits within one week from the time they are ordered and to conduct careful quality control checks to avoid documents being “bounced back” for revisions.
- Two appraisal firms are working on the Project, an arrangement that was put in place in last year to accelerate this step. Staff continues to enforce deadlines for preparation of appraisals and seek priority attention on Project appraisals. We considered the merits of adding more appraisers in the process or to push the existing appraisal staff to complete their valuations more quickly. Appraisal completion is progressing well

¹ You may notice that this number changes from time to time. This is due to alignment changes and properties being bought and sold among private parties and public agencies. Of the 56 total, 4 are assigned to the Participants for their turnout construction.



within the process now, so adding more appraisers does not appear warranted. Moreover, careful preparation of appraisals is needed to assure proper, defensible valuations and it is to all parties' benefit to allow the qualified appraisers the proper amount of time to assemble such appraisals.

- HJA added additional staff in December to work through this heightened and condensed phase in easement negotiations. Once HJA receives an approved appraisal, they schedule an offer meeting with the property owner and continue dialogue with the owner until securing a signed agreement. Timing for obtaining owner signatures is most difficult to predict because each owner is unique, some comprised of multiple parties residing in different states, some affecting elderly owners represented by other family members, etc. Many times, specific questions arise that must be answered by the designers or the District. Steps noted below are suggested for supporting efforts to obtain settlement agreements with property owners.

When good-faith negotiations fail to yield an agreement, then the District could choose to execute its powers of eminent domain. That requires advance notification and conduct of a hearing of necessity, among other steps. The timing of such proceedings is addressed in Agenda Item V.a.

There are eleven public agencies holding 14 properties from whom easements are required – Monterey County Water Resources Agency, Camp Roberts, five from Participants plus the County Parks Dept. which are expected to be no-cost grants, an easement from a small area on Cal Poly property, the State Dept. of Water Resources property near Cuesta Tunnel, the federal government property that houses Santa Margarita Booster Station, and the Land Conservancy. HJA assists with agreements with each of these agencies, understanding the need for entry rights/easements prior to commencement of construction.

The Project Manager recommends these steps to accelerate the easement acquisition process:

- Designers make it a priority to fix the alignment affecting the remaining private properties. Cannon Associates to exercise careful quality control in legal description preparation to avoid revisions.
- Continue to involve new HJA staff in owner dialogue to maximize the number of settlement agreements.
- Timely response to owner questions. The Project Manager has put the design staff on notice to prioritize questions posed by HJA so that delays in negotiations are minimized. An example of this would be an owner looking for assurances that irrigation systems will remain operational and that interruptions would be limited to half a day or so. HJA poses the question, Black & Veatch replies and adds such a note to the appropriate design drawing and construction specifications.
- Prompt consideration of counter-offers. The Project Manager makes it a priority to respond to counter-offers such as a property owner that may want a fence line restored as part of their easement compensation.
- Streamline administrative steps such as progress reporting and agreement processing such that HJA may focus on settlement agreements.

- District step up exchanges with the affected public agencies to get more timely action on acquisition steps.

On a related note, HJA previously alerted the District to the need to amend their 2005 services agreement. Primary reasons for amending their agreement is coordinating numerous design changes that, while beneficial to the overall Project construction, required several iterations of appraisal considerations, and communicating owner-requested details with the design team. Refer to the related Agenda Item VII.a for staff recommendation along that line. The timing of Necessity Hearings is addressed in Agenda Item V.a.

Environmental Permitting – In December and January, ESA confirmed that the information submitted to the US Fish & Wildlife Service was deemed complete and that the Project biological opinion may be issued as early as January 31, 2007. As part of that, we agreed to salvage topsoil at the Camp Roberts Tank Site as a fairy shrimp protection measure.

As for other permits, ESA provides regular updates of forecasted issuance dates so that we may better track the bid advertisement dates for each construction specification.

Per Commission direction at the January 18, 2007, special meeting, ESA's contract amendment will be forwarded to the Board of Supervisors on February 27, 2007. This will authorize ESA and their subconsultant, Albion, to proceed with the necessary State Preservation Office consultation pertaining to cultural resources.

ESA has coordinated with designers, particularly on the matter of narrow construction corridor to protect oak trees.

There still is no definitive word from the National Guard Bureau regarding the status of the Army's Report of Availability nor the related NEPA circulation. Staff's frequent inquiries will sustain until we get an answer.

Design Activities – Black & Veatch's design efforts in recent months includes participation in a constructability review in concert with Jacobs and overall Quality Control review of the 90-percent design package. Black & Veatch is progressing with the intake Geotechnical Baseline Report. Geomatrix plans additional exploratory borings at the intake location in February 2007. Encroachment permits with Union Pacific Railroad and Caltrans were submitted and County requirements for traffic control along the construction corridor are being determined. Black & Veatch conducted some utility potholing at critical locations and met with Conoco Phillips to advance terms of crossing that utility. They also completed the specialty drilling contractor prequalification package with submittals due on February 13, 2007. Last, Black & Veatch completed the project surge analysis and recommend a redesign of the hydraulics around the Camp Roberts Tank and the Santa Ysabel Pump Station that will save energy over the initial years of operation.

Black & Veatch hosted the second construction contractor workshop on January 11, 2007, with great response and some frank exchange regarding the OCIP question.

Construction Management Activities – Jacobs prepared a constructability review of the 90% design package and discussed their comments with the Black & Veatch design team. They also participated in the construction contractor workshop and meeting with Conoco-Phillips. Jacobs



made an OCIP presentation to the Commission in December and has been regularly attending TSG and Commission meetings. Jacobs presently is reviewing the survey control for the Project and are advising on an approach to construction staking. Jacobs also is preparing an estimated cash flow projection for construction expenditures that will be utilized by the finance team for estimating the bond sale level.

Outside Agency Issues

PG&E – PG&E submitted a revised Savings by Design report and some follow-up questions were forwarded to PG&E. We await confirmation of service fees and timing for the related Heritage Ranch load-shedding approach to serving the intake pump station and have sent a reminder letter to PG&E on February 5, 2007.

SLO County IT Department – Staff is proceeding with preparation of an MOU per the terms approved by the Commission.

Monterey County Water Resources Agency – The next staff meeting is set for February 22, 2007, at 9:00 am at King City. Progress has been made in the past few weeks regarding the proposed amendment to the 1959 Agreement. Staff is making final arrangements for site access for follow-up geotechnical borings at the proposed intake site during February.

Camp Roberts – Since progress on the NEPA determination and related Report of Availability is unknown, staff is pursuing a right of entry that would allow construction to commence on Camp Roberts.

* * *



Nacimiento Project Commission
February 15, 2007
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)

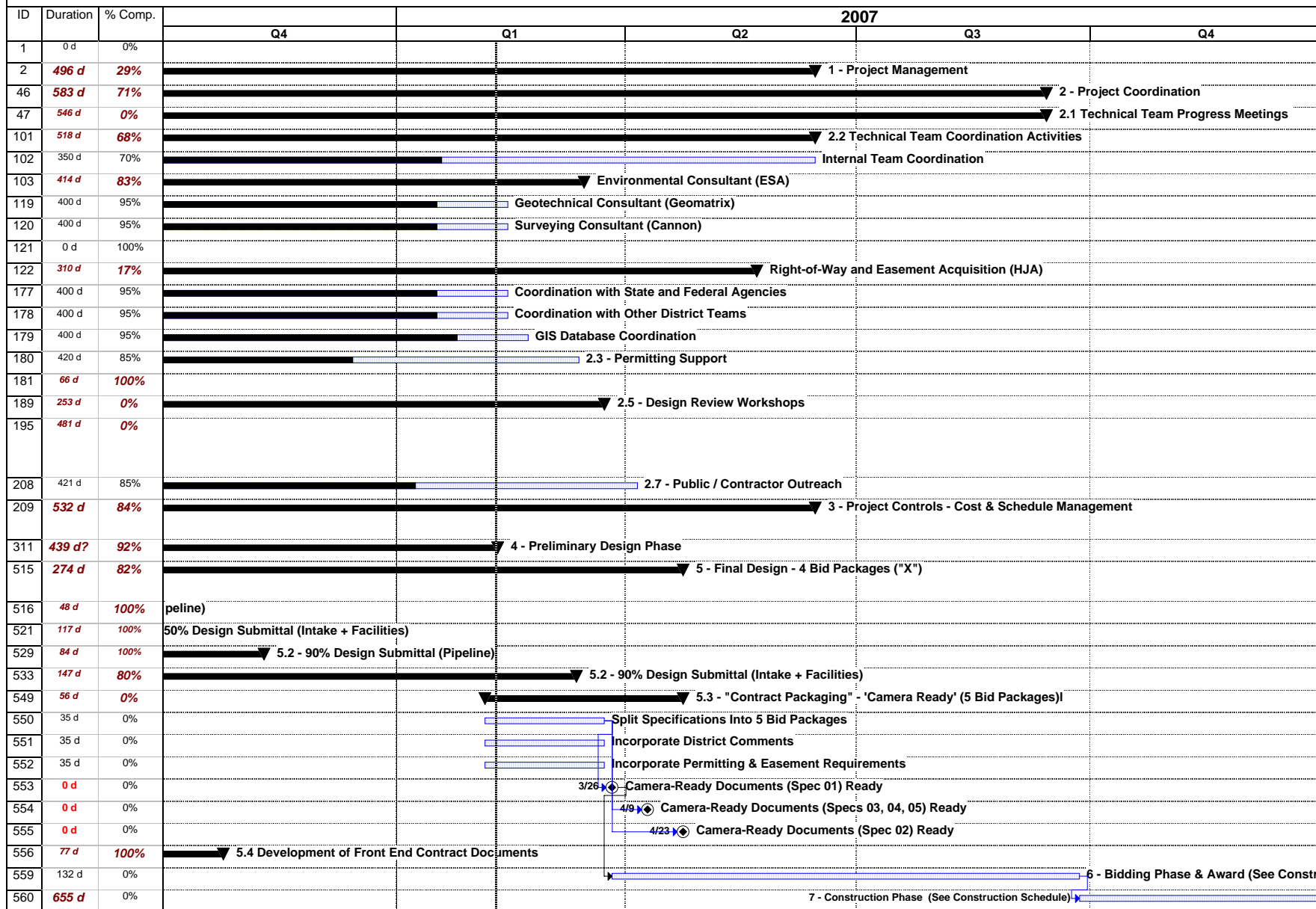
Attached is the Project schedule depicting progress toward final design. Black & Veatch delivered the 90% submittal on schedule and is progressing toward the March 2007 bid-ready date. Right-of-way acquisition, obtaining permits, and timely prequalification of specialty drilling contractors/intake contractors are all tracking closely along the critical path at this point.





Nacimiento Water Project San Luis Obispo County Flood Control and Water Conservation District Project Schedule - Final Design

Final Design Schedule Revision: 1.10
Date: January 15, 2007
B&V File C.2.1



Task Critical Task Progress Milestone Summary

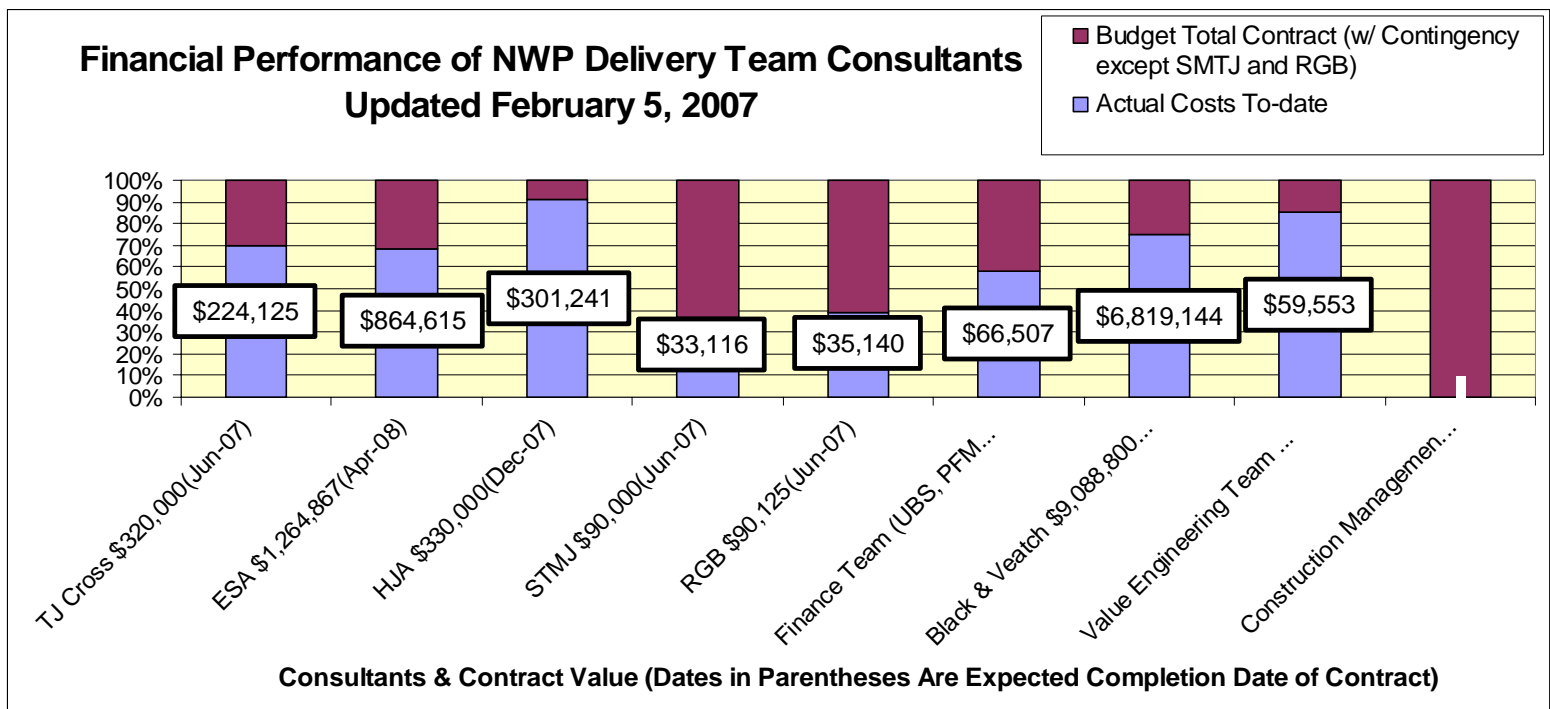
Nacimientto Project Commission
February 15, 2007
Agenda Item IV.c – Project Budget
(Information Only – No Action Required)

Attached is the Project Budget Reporting for the period ending December 31, 2006.

As discussed in December 2006, you can expect to see regular updates to the Projected Total Cost figures as the engineer's estimate evolves, as actual quotes come in for environmental monitoring and other construction phase services, and as bids come in. A formal request for a budget increase, if needed, would be made as part of the Opt-Out phase after bids are received.

This month, adjustments were made to the "Environmental" line item budget to align with ESA's contract amendment. These adjusted projected total costs still leave in excess \$2 million in design phase budget reserve.

The graphic below illustrates the financial performance of the Project during the Design Phase.



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 12/31/06**

	Initial Budget	Revised Budget as Approved August 2006	Cost to Date thru 12/31/06	Remaining Budget	Projected Total Cost as of 1/18/07	Projected Variance (Budget Vs. Cost)	Comments
Design Phase Anticipated Costs							
Project Management	\$1,250,000	\$1,875,000	1,531,493	\$343,507	\$2,033,000	(\$158,000)	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$899,667	863,753	\$35,914	\$1,310,000	(\$410,333)	ESA-Includes design assistance, permit applications, agency coordination. 1/07-added fee per ESA Amend No. 5
PG&E Service Extension	\$1,100,000	\$1,100,000	5,170	\$1,094,830	\$300,000	\$800,000	11/06-Revised estimate to extend power to proposed facilities.
Right of Way Consulting Services	\$500,000	\$635,000	432,546	\$202,454	\$665,000	(\$30,000)	Hamner-Jewell contract plus allowance for appraisal and title reports by others.
Property Acquisition	\$2,000,000	\$2,500,000	25,480	\$2,474,520	\$2,500,000	\$0	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$735,000	\$1,265,000	Initial CM services authorization.
Engineering Design (Includes geotechnical & survey)	\$10,250,000	\$9,088,800	6,232,549	\$2,856,251	\$8,988,800	\$100,000	Black and Veatch Corporation 11/06-Revised projected total.
Finance	\$0	\$115,000	0	\$115,000	\$85,000	\$30,000	PFM, UBS, and Fulbright & Jaworski. 11/06-Revised projected total.
New Participant Contribution			(\$49,040)		(\$50,000)	\$50,000	11/06-CSA 10 buy-in.
					Total Variance=	\$1,646,667	
Design Phase Budget Reserve	\$1,000,000	\$686,533		\$686,533	\$2,333,200		
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	9,041,952	\$9,809,008	\$18,900,000		
Construction Phase Anticipated Costs							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months.
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$4,500,000	(\$780,000)	Estimated as \$100,000 per mile for pipeline realignments, special construction techniques, and other costs incurred due to unforeseen environmental issues.
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$5,750,000	(\$1,565,000)	Based on Jacobs construction services fees.
Post-Designer Services by Designer	\$0	\$0		\$0	\$3,200,000	(\$3,200,000)	Black & Veatch's construction phase services.
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	Includes cost for cultural and biological monitors during construction.
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$137,688,505	(\$44,688,505)	B&V's 50% estimate with contingencies.
District Controlled Contingency							
Construction Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$10,470,245	\$13,368,255	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	0	\$129,556,000	\$166,421,250	(\$36,865,250)	
Prior Expenses							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel.
				\$0	\$0	\$0	
TOTAL PROJECT*	\$150,000,000	\$150,000,000	9,041,952	\$140,909,008	\$186,865,250	(\$35,218,583)	

* Rounded to \$100k

Memorandum's):
Positive Projected Variance indicates costs are under the revised line item budget.
Recent Update: 1/25/07

Nacimiento Project Commission
February 15, 2007
Agenda Item V.a – Steps to Commence Construction
(Presentation - No Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: February 15, 2007

Strategy for Commencing Construction

At the January 18, 2007, special meeting, Commission questions regarding the timing of right-of-way acquisition prompted some discussion on the overall strategy to commence construction. The Project Manager briefly described key events leading up to construction, such as easement acquisition, securing environmental permits, satisfying the opt-out provision, and the sale of bonds. The Commission directed staff to return with a presentation regarding the steps to commence construction. The question is:

“What key events must take place leading up to a) construction bid advertisement; b) award; c) notice to proceed; and d) commencement of construction?”

Mandatory Prerequisites. The mandatory prerequisites needed before advertising the construction packages for bidding are:

- The Environmental Impact Report (EIR) is complete (Board adopted Jan 2005)
- The Design is complete (currently nearing 100-percent complete)
- The Environmental Permits are obtained (pending)

The primary environmental permit required for this Project is the Clean Water Act Section 404 Nationwide Permit issued by the Army Corps of Engineers. The Section 404 permit is issued in consultation with other agencies including NOAA, US Fish & Wildlife Service, and the State Historic Preservation Officer. Both the NOAA and US Fish & Wildlife Service consultations are far along and formal concurrence letters are eminent. Formal consultation with the State Historic Preservation Officer may not conclude until mid-May, delaying the Section 404 permit issuance until that date. The Army Corps has been known to proceed with permit issuance without formal input from that Officer, which suggests a Section 404 permit may be issued as early as mid-March. Our strategy below assumes that mid-March period will be successful. The two State permits (Clean Water Act Section 401 and the Ca. Fish & Game Section 1600 agreements) are on track for that earlier permit issuance date.

Optional Prerequisites. The prerequisite activities that can be performed either before or after bidding begins on the construction packages include the following:

- Securing the property rights for the Project.
- Secure the financing for the Project.

The Water Delivery Entitlement Contracts with each of the Participants, through the Opt-Out provision, requires an in-depth understanding of the total Project cost prior to the issuing of the debt; therefore, *securing Project financing as a prerequisite of bidding the construction is not a strategy available to the Project and will not be considered further.*

The strategies available for further consideration include the following:

Strategy A - Secure Property Rights Prior to Bid Advertisement: The District's typical practice is to secure all property rights (i.e., easements and fee rights) prior to bidding. The benefit is certainty with the orders of possession for private properties but would delay advertisement for bids by an estimated six months. Staff has reported at previous Commission meetings that the delay in Project completion may cost the Project about \$400,000 to \$500,000 per month; thus, a six month extension for construction potentially could add several millions of dollars to the construction value. The increase could be even greater if a number of currently interested contractors drop out of the bidding process because of the six month schedule shift. Further, this significant delay could result in higher interest rates and a loss of bids from some of the prospective contractors who have been working with the District on the earlier time lines. *This poses a significant and costly delay to the Project and Strategy A is not recommended.*

Strategy B - Secure Property Rights Both Before and After Bid Advertisement: Procuring as many property rights as possible prior to bidding is a benefit in reducing the workload at the time bidding for construction is ongoing; however, having all rights-of-way procured prior to bidding is not a required step because the methodology for procuring the right-of-way is specifically formulated by the Civil Code of Procedure. Because there are codes which specify the rights-of-way process, neither party (the grantor or the grantee) have any material advantage over the other in the area of rights-of-way negotiations; therefore, staff recommends that rights-of-way acquisition proceed in parallel with bidding of the Project. This process will minimize the time needed to construct the Project.

Furthermore, the Project has significant length at 45 miles. A pipeline project is often termed a "linear project". The Construction Manager, working on behalf of the District, can manage the pipeline contractors to work around any unresolved private parcel right-of-way issues. As for project facilities (pump stations, tanks) that are on private parcels, the District has placed these as a priority in obtaining the property rights. *Strategy B is recommended for the Project.*

A scheduling comparison of the two scenarios follows. This is based on available Board of Supervisor's Necessity Hearing dates of April 17 and May 8, 2007.

	<u>Strategy A</u>	<u>Strategy B</u>
Secure Project Enviro Permits	3/15/07 ¹	3/15/07 ¹
Begin bid advertisement	8/18/07	3/29/07
Opt-out period	11/27 to 1/5/08	6/15 to 7/15/07
Award contracts	1/19/08	7/25/07
Sell bonds	2/5/08 to 3/5/08	8/15/07 to 9/14/07
Obtain remaining orders of possession	8/18/07	8/18/07
Issues notices to proceed	2/29/08	8/29/07
Construction Complete	June 2010	December 2010

In consideration of timing consequences, the Project Manager recommends that we begin advertisement for construction bids in March 2007 (assuming the environmental permits are obtained in March 2007) as previously planned, following the steps through the opt out period as previously discussed with the Commission, including award of construction contracts. Bond sale would follow shortly thereafter and any remaining orders of possession could be obtained as the Project progressed through this process. This approach allows us to lock in bid prices six months earlier, and would likely result in a significant cost savings.

A timeline of this recommended strategy was presented by PFM and UBS at our last Finance Committee meeting, and a copy of this timeline is presented on the following page.

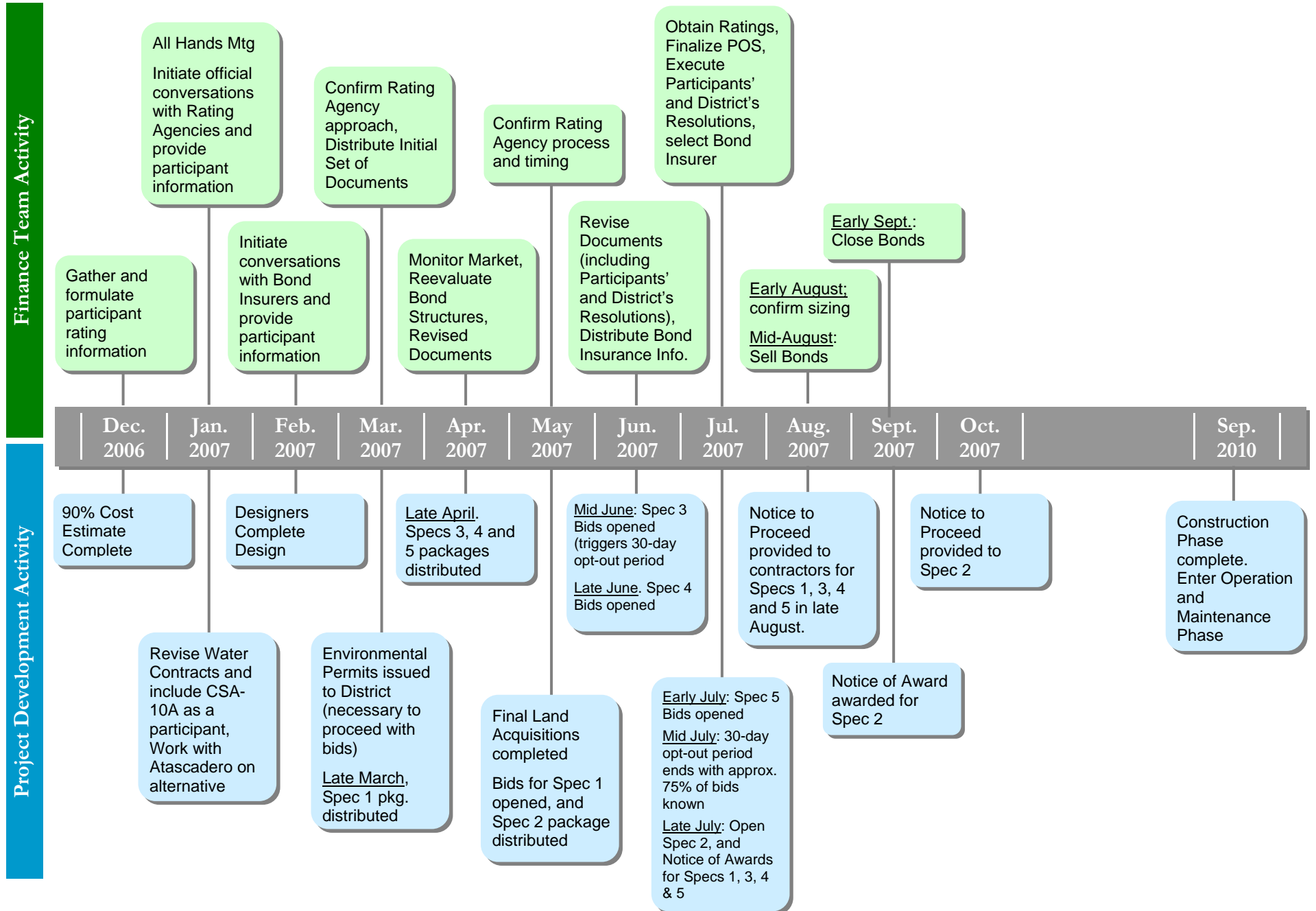
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¹ Permit issuance not in District's control, but is expected to occur as early as mid-March 2007. Mid-May 2007 is judged by the District as the latest time that the final environmental permit would be issued.



SAN LUIS OBISPO COUNTY FINANCING AUTHORITY ~ NACIMIENTO PIPELINE PROJECT

FINANCING TIMELINE



Nacimiento Project Commission
February 15, 2007
Agenda Item VII.a – Amendment to Hamner, Jewell & Associates
Contract
(Commission Action Item – Subsequent Board of Supervisor Action
Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: February 15, 2007

Recommendation

That the Commission direct staff to forward a recommendation to the Board of Supervisors to execute Amendment No. 2 in the amount of \$160,000 for the contract with Beacon Integrated Professional Resources, Inc. d.b.a. Hamner, Jewell & Associates for Right-of-Way Acquisition and Access Coordination Services for the Nacimiento Water Project.

Discussion

Right-of-way must be acquired along much of the 45-mile Nacimiento pipeline alignment, directly affecting some 56 parcels and requiring coordination with numerous other landowners. On May 17, 2001, the District entered into a purchase order with Hamner, Jewell & Associates (HJA) to coordinate rights-of-entry during the environmental assessment phase as well as to keep affected property owners informed as to the contemplated project. The District authorized more extensive acquisition services on February 15, 2005. For six years, HJA has been the point of communication with property owners, responding to their inquiries regarding possible impacts on their properties.

A number of new right of way issues have been processed since 2005. A value engineering review of the alignment coupled with more in-depth property owner discussions resulted in alignment changes throughout the 45-mile Project corridor. More detailed environmental and utility information also resulted in some realignments that called into play new property owners as compared to prior Project phases. As a result, we expect construction of the Nacimiento Pipeline to proceed with improved regulatory requirements and fewer property owner disruptions. However, the time invested in making the refinements was such that legal descriptions for the initial set of affected parcels were issued after June 2006 which had been the time when all legal descriptions had originally planned to be completed. Throughout the alignment refinement activities, HJA coordinated with private parcel owners on the alignment modifications and reported these to the Project team members. This Project support was valuable to the Project Manager and the Design Team in cost saving decisions to realign portions of the pipeline.

Legal descriptions for affected parcels continue to come in today, significantly compressing the timeline for completing easement acquisition. All the while, HJA has maintained dialogue with affected property owners and initiated dialogue with new owners as properties changed hands.

The District has also retained the services of special counsel to advise us on problematic acquisition steps. HJA coordinates with legal counsel and recommended revisions for all acquisition offers to comply with new laws that came in to effect January 1, 2007.

As of the end of January 2007, HJA has maintained ongoing communication with, and a database for, of over 100 directly and indirectly affected property owners, coordinated site entry for various design phase activities, obtained preliminary title reports for affected properties and assembled packages for each parcel appraisal, reviewed design drawings and other documents for right of way issues, successfully secured the first set of agreements, and opened escrow accounts for Project acquisition purposes. They also regularly attend Project meetings.

Right of way acquisition will continue into 2007. Services that HJA will provide to the District include:

- Continue efforts to reach agreement with remaining property owners. Sustain dialogue with the design and construction management teams.
- Continue to work with surveyors and appraisers necessary to facilitate the appraisal process required for making offers
- Work with Project management staff and legal counsel by continuing select efforts toward finalizing agreements in lieu of ongoing litigation for any outstanding acquisitions, process obtained agreements through escrow to closing, and transfer any requested information to eminent domain counsel and construction managers.
- Make arrangements for entry for pre-bid job walks and other purposes
- Sustain ongoing communication with affected special agencies.
- Work with the construction manager and others to clarify owner coordination as the various contractors are mobilized. Provide the District with a contact information database for private parcels.

In summary, staff believes that the additional work required of HJA is primarily due to route modifications initiated by the Project Team throughout the design phase, so the recommended \$160,000 contract amendment is warranted.

Other Agency Involvement

The Nacimiento Participants are the City of El Paso de Robles, Atascadero Mutual Water Company, the City of San Luis Obispo, Templeton CSD, and County Service Area 10, Zone A. Numerous environmental resource agencies and other regulators will be involved in permitting the process. The San Luis Obispo County Financing Authority will be the issuer of any capital financing on the Project.

The District seeks easements from Monterey County Water Resource Agency, the Central Coast Water Authority, the State of California and the federal government, the City of El

Paso de Robles, Atascadero Mutual Water Company, the City of San Luis Obispo, the Land Conservancy, and from Templeton CSD. The Participants have agreed in concept to granting no-cost easements however such arrangements have yet to be finalized.

Financial Considerations

The Project is funded by the Nacimiento Participants per the Nacimiento Project Water Delivery Entitlement Contracts executed by the Board of Supervisors in August 2004. The cost for right-of-way acquisition services is included in the Nacimiento Water Project design phase budget.

HJA's 2005 Agreement is currently for \$330,000, including a \$30,000 contingency fund. Utilization of the contingency fund was previously authorized. HJA expects that the right-of-way activities will reach their maximum in the January to March 2007 period, then return to the previous level of effort. The estimated additional 2007 fee for the right-of-way services described above would amount to \$160,000, including a \$40,000 District-controlled contingency. This would bring HJA's total fee to an estimated \$490,000, including the \$40,000 contingency.

The proposed HJA contract amendment would be funded by the Nacimiento Water Project Fund (22000010000). The above-described services would be provided on a time-and-materials basis.

Results

Approval of the recommended action will result in consistent dialogue with affected property owners, will contribute to the efficient delivery of the overall Project facilities for the budgeted Project, and the Project will provide public facilities that ensure a safe, reliable water delivery system for the participating communities within the County. This in turn contributes to a more economically viable community.